Supreme Court, U.S.
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No. 00-1317

IN THE

Supreme Court of the United States

CRITICAL-VAC FILTRATION CORPORATION,

Petitioner,

v.

MINUTEMAN INTERNATIONAL, INC.,

Respondent.

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SECOND CIRCUIT

BRIEF IN OPPOSITION

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QUESTIONS PRESENTED

The issue in this case is whether the holding in *Mercoid Corp. v. Mid-Continent Inv. Co.*, 320 U.S. 662 (1944) ("*Mercoid*") creates an unconditional exception to Rule 13(a) for every antitrust claim responding to a patent infringement suit even where substantially the same issues were asserted and abandoned in an earlier litigation between the same parties in another jurisdiction. Therefore, the questions presented are:

1. Whether this issue is sufficiently important, pressing and developed that review at this time is warranted.

2. Even if the issue ultimately merits review by this Court, whether this particular case provides the circumstances for a more enlightening review.

STATEMENT PURSUANT TO RULE 29.6

Minuteman International, Inc. has no parent company and only Hako-Werke GmbH of Bad Oldesloe, Germany, owns 10% or more of its stock.

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STATEMENT OF THE CASE

Respondent, Minuteman International, Inc. ("Minuteman") believes the ultimate question presented does not meet the standard of Supreme Court Rule 10, and that this is not an appropriate case for review of the ultimate question. To correct errors in the statement of its case by Petitioner, Critical-Vac Filtration Corporation ("C-Vac"), and to provide the necessary background, Minuteman believes that the facts must be more fully explained.

Minuteman sued C-Vac in Illinois asserting infringement of a patent directed to a special type of vacuum cleaner used to remove asbestos, lead and other hazardous materials containing harmful microscopic particles. *Minuteman International, Inc. v. Critical-Vac Filtration Corporation, et al.*, 1997 U.S. DIST. LEXIS 4674. (A-27). To recover these microscopic particles, a special filter, unique to Minuteman's machine, was used. C-Vac manufactured replacement filters solely for use in the patented Minuteman vacuum cleaner. (*Id.*). The invention of Minuteman's patent was directed to projections on the filter which interlocked with a switch of the motor of the vacuum so that, unless the filter was of a proper configuration and properly installed, the motor of the vacuum cleaner could not operate. (*Id.* A-28). Minuteman's original patent granted in 1992 was directed to the overall combination of the motor, housing, switch and the filter. (*Id.* A-27). In 1993, Minuteman filed a reissue application under 35 U.S.C. § 251, from which claim 2 (the only claim at issue before the Illinois court, *Id.*) resulted. Claim 2 is directed to the filter *per se*. The District Court observed of prior vacuums:

> If an operator inadvertently failed to install a filter or failed to seat the filter properly in the motor

> housing, the harmful substances (*e.g.*, asbestos particles) being removed would be discharged into the air when the vacuum cleaner was started. (*Id.* A-28).

The Illinois court, in order to sustain the validity of claim 2, held that a surrender of subject matter during the prosecution history of the original patent rendered claim 2 of the patent limited to a "tongue-in-groove" seal on the filter. Although the C-Vac filter included the inventive projections and interlocking mechanism, it did not include the particular tongue-in-groove seal disclosed in the patent and was held not to infringe claim 2. (A 35-36).

The Illinois court did not rule on the validity of the patent nor its enforceability. Moreover, C-Vac is mistaken in its assertion that Minuteman and its attorney committed inequitable conduct based on the statement of its attorney that he was "unaware of flat gasket seals." (C-Vac Br. 5-6). In fact, a declaration was submitted by the attorney in support of the required showing for reissue that an error was made, that the attorney was unaware of the equivalency of tongue-in-groove and flat gasket seals in such vacuum cleaners during the prosecution of the original application.

C-Vac's defense in the Illinois action was identical to what it has pleaded as factual predicates of its antitrust claims filed in the New York District Court. C-Vac's response to the first amended complaint in the Illinois litigation denied infringement. C-Vac first pleaded that its accused filter did not infringe because the filter did not have the "tongue-in-groove seal . . . required by the patent-in-suit as properly interpreted. . . ."

C-Vac also raised a number of affirmative defenses in the Illinois action. (R 26-29). C-Vac affirmatively alleged that Minuteman's patent was invalid. (*Id.*, ¶ 16). C-Vac further alleged bad faith on the part of Minuteman. In its Fourth Affirmative Defense in the Illinois litigation, C-Vac alleged the Minuteman patent was unenforceable because:

> During the prosecution of the parent patent of the Patent in Suit, plaintiff and/or its attorneys made arguments to distinguish the claimed invention over the cited art and made contradictory statements during the prosecution of the patent in suit. For example, plaintiff and/or its attorneys stated during the prosecution of the parent patent that the "tongue-in-groove" is "highly advantageous." During prosecution of the reissue patent, plaintiff and/or its attorneys argued that the tongue-in-groove seal was equivalent to a filter without a tongue-in-groove seal. (R-28, ¶ 19).

C-Vac also asserted a defense of unenforceability (*i.e.*, unclean hands) based on the same allegations of equivalency/non-equivalency of the respective seals. C-Vac accused Minuteman of both misleading the Patent Office and attempting to enforce a patent against C-Vac which it knew to be invalid and procured with misleading statements. (R-29, ¶ 3).

C-Vac also filed a Counterclaim "seeking a declaration of patent invalidity, unenforceability and non-infringement" based on the allegations set forth in its Answer in the Illinois litigation (*Id.*, ¶ 25).

The Illinois district court granted C-Vac's motion for summary judgment of non-infringement, but did not rule on C-Vac's defenses or counterclaims of invalidity and unenforceability. No claim of the reissue patent was ever held invalid or unenforceable. The entire Illinois action was dismissed by the district court, and C-Vac did not appeal that dismissal, thereby abandoning its counterclaims for invalidity and unenforceability. Minuteman's patent therefore remains valid and enforceable, with claim 2 held not infringed. The Federal Circuit affirmed the district court's ruling of non-infringement. At no time did C-Vac request sanctions under Rule 11, FED. R. CIV. P. or move to have the Illinois litigation declared "exceptional" under 35 U.S.C. § 285 which, had a motion been granted, would have entitled C-Vac to attorney fees and expenses.

REASONS FOR DENYING THE WRIT

I. The Issue For Which Petitioner Seeks Review Rarely Occurs And Continues To Be Developed

The issue decided in *Mercoid* arose in 1944, long before antitrust counterclaims in patent infringement cases based on allegations of "sham" action were permitted. A brief review of the history will, we submit, indicate that even though it has been over fifty years since the *Mercoid* decision, the present issue is one that does not occur often enough to merit review and is currently in a state of flux because creative patent litigators continue to develop new theories of antitrust defenses and counterclaims in patent litigation. At the same time, the need for economical and effective use of judicial resources continues to increase.

Moreover, this particular case adds nothing to the calculus of considerations surrounding the issue since this Court denied *certiorari* to the decision of the Fifth Circuit Court of Appeals in *FilmTec Corp. v. Hydranautics*, 510 U.S. 824 (1993) and to the decision of the Ninth Circuit in *Tank Insulation Int'l. v. Insultherm, Inc., cert. denied, mot. granted*, 522 U.S. 907, 118 S. Ct. 265, 139 L. Ed. 2d 191, 1997 U.S. Lexis 6011, 66 U.S.L.W. 3263 (1997). In the decision the Petitioner seeks to review, the Second Circuit Court of Appeals expressly noted that the comparatively small number of appellate decisions which have addressed the issue in over fifty-six years, as well as the intervening legal commentary, have criticized the *Mercoid* decision. The court specifically rejected the existing decisions now relied upon by Petitioner (*Tank Insulation Int'l Inc. v. Insultherm, Inc.*, 104 F.2d 83 (5th Cir. 1997), and *Hydranautics v. FilmTec Corp.*, 70 F.3d 533 (9th Cir. 1995) ("*Hydranautics*")):

> To the extent that these opinions suggest that *Mercoid* creates an exception so broad that it applies to *any* antitrust claim following a patent infringement suit between the same parties, we decline to adopt their view. Rather, we *adhere to our own precedent* in limiting the holding in Mercoid to its own set of facts. See Eastport, 255 F.2d at 503. (First emphasis the Court's, second emphasis added.)

Thus, in rendering its decision, the Second Circuit based its rationale on *United States v. Eastport Steamship Corp.*, 255 F.2d 795 (2d Cir. 1958) ("*Eastport*"). The Second Circuit's decision for which review is now sought exists under the same legal standards and rationale since this Court's denials of *certiorari* on the broad issue in 1993 and 1997.

What, then, has rekindled the issue after it lay substantially dormant for almost half a century? We submit that the importance of at least two factors has changed dramatically since 1946. One must first realize that the ultimate issue presented here is not one of the type widely believed to be very important in the 1940's, when a greater tension appeared to exist between the patent laws and the antitrust laws. Rather, it now appears that the tension exists, on the one hand, between an over-burdened Federal judiciary at the trial level and the goal of judicial economy (which is the linchpin of Rule 13(a)), and, on the other hand, an expansive reading of the *Mercoid* decision and its application to antitrust claims based on "sham action" suits, which claims did not exist until decades after *Mercoid*.

In 1965, this Court held that the enforcement of a patent procured by "fraud" on the U.S. Patent and Trademark Office may give rise to an antitrust claim. *Walker Process Equip., Inc. v. Food Mach. & Chem. Corp.*, 382 U.S. 172 (1965). Yet, the issue presented in the instant petition did not arise following this Court's decision in *Walker Process*. The reason, we submit, is that the issue of inequitable conduct or "fraud on the Patent Office" (as it was then called) was an affirmative defense *and* a basis for declaratory judgment of unenforceability which were more efficiently tried in the original case. For decades, *Walker Process* counterclaims were presented in the original case.

In 1979, the Ninth Circuit ruled that an antitrust action may be based on bringing a patent infringement action in bad faith with knowledge of the patent's invalidity. *Handgards, Inc. v. Ethicon, Inc.*, 601 F.2d 986, 994 (9th Cir. 1979).

In 1993, this Court ruled that a violation of the antitrust laws may exist if a suit is shown to have been both objectively baseless and subjectively intended to cause harm to the defendant in the patent case (a "sham" action), *Professional Real Estate Investors, Inc. v. Columbia Pictures Indus., Inc.*, 508 U.S. 49 (1993) ("*PRE*").

In the years intervening between the *Mercoid* and *Hydranautics* decisions, only a handful of district court cases arose involving the ultimate issue here. We submit that the main reason the issue has now arisen after all these years is that it is self-evident that the time and place to test whether an action is a sham action (as well as any issues of infringement, validity or inequitable conduct in the procurement of patents) is in the original action. What policy is advanced or what goal is promoted by testing whether an issue is sham in a subsequent suit in a foreign jurisdiction where the complex patent issues must be reviewed or re-litigated, as here? Certainly not the purposes of Rule 13(a). What harm is there in requiring a defendant to make its "antitrust" claim in the original action where the same transactions and occurrences are already at issue? This Court need not correct the oversights and errors of litigants, no matter the light in which they are cast.

The Court of Appeals for the Federal Circuit, which reviews all patent appeals, appears to agree there is no purpose to delay bringing the claim (commenting in a case involving antitrust claims filed in a subsequent litigation in a different venue, and stating that "the place to challenge litigation as sham is in the asserted sham action.") *U.S. Phillips Corp. v. Sears Roebuck & Co.*, 55 F.3d 592, 597 (1995).

The wrong sought to be remedied in the original *Mercoid* decision (namely, extending the scope of an otherwise valid patent to unpatented products) ceased almost immediately after the decision. *Walker Process* types of antitrust counterclaims, though flourishing in the ten years following this Court's decision in 1965, have also dwindled to a trickle. Antitrust counterclaims based on sham action theories are relatively new. Interpretation of the scope of the *Mercoid* decision has existed at a low but generally constant level for forty years. The introduction of sham action-antitrust claims in patent litigation may renew interest in the issue, but the litigation landscape has changed since the Court rendered its decision in *Mercoid*. The need for finality, to promote settlement and to handle litigation, particularly complex litigation, more efficiently, have all increased dramatically since 1946. Reviewing courts, particularly those analyzing the rationale of decisions promulgated decades before, are reviewing *Mercoid* with a viewpoint toward serving judicial economy and promoting the goals of Rule 13(a).

We submit that this is beneficial to all, and a resolution will be better for future generations, if this analysis continues. This would appear to be particularly so since there is no urgency to the issue and there is no harm to a litigant who conscientiously pursues counterclaims known at the time of filing its answer in the original action.[1]

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1. Minuteman submits that the issue of whether C-Vac "had" its counterclaims in the original action is more relevant to the ultimate issue than it is to whether that issue merits review at this time. However, we note that both the district court and the Second Circuit, after reviewing the entire record, flatly rejected C-Vac's contention on this issue (*see* A-22 and A-7). "([a]ll facts were not only known to C-Vac, they were pleaded in the first action and specifically dealt with in the decision in the Illinois court." A-7.)

II. The Particular Facts Of This Case Militate Against A Review Of The Ultimate Issue Presented

There is no egregious antitrust violation supporting C-Vac's counterclaims as were alleged in *Mercoid* or in *Hydranautics*. All public policy concerns were addressed by C-Vac's affirmative defenses and counterclaims in the Illinois action, which could have attended to any patent tainted with misconduct. Moreover, C-Vac candidly acknowledged in the courts below that its only damages were its out-of-pocket attorney fees. And adequate remedies were available to C-Vac in the original action, though C-Vac elected not to pursue them.

C-Vac never filed a Motion for Sanctions under Rule 11 FED. R. CIV. P. in the Illinois action, nor did it seek to recover its expenses by filing a Motion to have the patent action declared "exceptional" under 35 U.S.C. § 285 after prevailing in the Illinois case. Instead, C-Vac did wait over two years following dismissal of the Illinois action, and then filed suit in New York, placing before that district court the issue of whether the Illinois action was objectively baseless and leaving the New York court to trek through the complex record of the prosecution of the original and reissue patents which had been before the Illinois court, as well as to review the issue of Minuteman's subjective intent in bringing the original action some eight years before.

The facts become murkier still because there are substantial issues, yet to be raised if the New York court were to proceed, which clearly indicate that C-Vac has abandoned its rights to the relief it now seeks and these issues have no merit in the first place. As noted by Judge Munson in the New York trial court, C-Vac not only pleaded

affirmative defenses of invalidity, unenforceability and a denial of infringement, but it filed a declaratory judgment counterclaim in the Illinois action seeking a declaration of invalidity, unenforceability and non-infringement of Minuteman's patent. (A-22).

The entire Illinois case including all claims and counterclaims was dismissed and C-Vac never appealed the dismissal, thereby abandoning any right to have Minuteman's claim 2 adjudicated unenforceable or invalid. Thus, serious questions of estoppel and *res judicata* exist in the New York case. Obviously, the other claims of Minuteman's patent which are directed to the combination of the filter and the vacuum cleaner are still valid and enforceable because they were never decided in the Illinois litigation.

C-Vac acknowledges it brought the present antitrust suit belatedly, but seeks to excuse its oversight on the basis of the Federal Circuit's admonition that charges of inequitable conduct had in 1988 become an "absolute plague." *Burlington Indus., Inc. v. Dayco Corp.*, 849 F.2d 1418, 1422 (1988). C-Vac urges this comment as the reason for its delay. (C-Vac Br., p. 17). But it had already explicitly pleaded the issue in Illinois — the charge which has become the "plague" was already asserted by C-Vac. Furthermore, C-Vac does not indicate what additional facts or evidence it now possesses which it did not have when it filed its Answer in Illinois. (The Second Circuit held that C-Vac has alleged no additional facts.) (A-7). The reason is apparent, as the record shows C-Vac did possess its antitrust claims at the time of its Answer, and this underscores the disingenuous nature of C-Vac's argument on the issue of its inequitable conduct claim.

Moreover, C-Vac's allegations of inequitable conduct in procurement of the Minuteman patent are based on an allegation that Minuteman was aware of prior art incorporating a "flat gasket" seal in other prior art filters. The Illinois court specifically noted:

> All five (original) claims were rejected as obvious in view of two prior art references, one of which was U.S. Patent 4,786,295 issued to Newman, et al. . . . The Newman patent disclosed, among other features, a flat gasket seal. (A-38).

Thus, the Patent Office had before it a prior art reference (the Newman patent) showing a flat gasket seal, and used that prior art in rejecting the original claims. The Federal Circuit has specifically held, as a matter of law:

> Where a reference was before the examiner, whether through the examiner's search or the applicant's disclosure, it cannot be deemed to have been withheld from the examiner.

Scripps Clinic & Research Fdn. v. Genentech, Inc., 927 F.2d 1565, 1582 (Fed. Cir. 1991). Thus, C-Vac's charge of a violation of the antitrust laws based on a sham action involving "inequitable conduct" cannot be deemed to have substance; and we submit this is a significant consideration in determining whether, if this case were to be returned to the New York court, the review C-Vac now requests should be undertaken in the first place.

CONCLUSION

For the reasons stated, the Petition should be denied.

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